

## Message Text

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C O N F I D E N T I A L MOSCOW 12110

E.O. 11652: GDS

TAGS: ET

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SUBJECT: NEGOTIATIONS ON SOVIET COLOR TELEVISION PROJECTS

USDOC FOR BEWT/TDAD/PIGGOTT

1. SUMMARY. NEGOTIATIONS BETWEEN SOVIETS (TEKHNOPROMIMPORT AND MINISTRY OF ELECTRONICS INDUSTRY) AND OWENS-ILLINOIS AND RCA ON PARTS OF COLOR TELEVISION PRODUCTION COMPLEX HAVE COME UP AGAINST MAJOR DISAGREEMENTS OVER PRICE. SOVIET EFFORTS TO PERSUADE U.S. FIRMS TO ACT AS GENERAL CONTRACTORS FOR PROJECTS HAVE ALSO CAUSED PROBLEMS. END SUMMARY.

2. OWENS-ILLINOIS TEAM HEADED BY VICE PRESIDENT MAX POWELL DEPARTED MOSCOW AUGUST 22 AFTER WEEK OF DISCUSSIONS ON PLANT TO PRODUCE GLASS FOR COLOR TV TUBES. (OWENS-ILLINOIS IS COMPETING AGAINST CORNING GLASS FOR THIS BUSINESS.) LATEST ROUND OF TALKS LEFT PARTICIPANTS FAR APART ON BOTH PRICE AND THE ROLE WHICH OWENS-ILLINOIS SHOULD PLAY, WITH COMPANY PROPOSING TO SELL TECHNOLOGY AND SOVIETS PRESSING COMPANY TO SERVE AS GENERAL CONTRACTOR FOR PROJECT. DURING AUGUST 22 MEETING WITH COMMATT, OFFICIALS OF MINISTRY OF ELECTRONIC INDUSTRY COMPLAINED THAT OWENS-ILLINOIS WAS TRYING TO BUILD IN "EXTRA INSURANCE" AT EVERY STAGE OF CONTRACT. MINISTRY OFFICIALS SAID THAT SOVIET SIDE WANTED TO REACH AGREEMENT WITH OWENS-ILLINOIS BUT EXPECTED U.S. FIRM TO APPROACH NEGOTIATIONS ON ASSUMPTION THAT EVERYTHING WOULD NOT RPT NOT GO WRONG DURING FULFILLMENT OF CONTRACT. (COMMENT: DURING AUGUST 21 MEETING WITH COMMATT, POWELL INDIRECTLY CONFIRMED THAT

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OWENS-ILLINOIS HAD BUILT VERY LARGE MARGINS INTO ITS ACTING PRICE

ON ASSUMPTION THAT SUBSTANTIAL PROBLEMS WOULD ARISE IN CONSTRUCTION AND START-UP OF PLANT. END COMMENT).

3. RELATED NEGOTIATIONS BETWEEN SAME SOVIET TEAM AND RCA ON COLOR TV TUBE PLANT ARE AT ROUGHLY SAME STAGE AS TALKS WITH OWENS-ILLINOIS. RCA HAS PROPOSED SALE OF ITS TECHNOLOGY (FOR PRICE WHICH SOVIETS CLAIM IS TOO HIGH) AND RESISTED ASSUMPTION OF GENERAL CONTRACTOR ROLE. SOVIETS ALSO ARE PRESSING RCA TO TAKE AT LEAST PARTIAL PAYMENT IN FORM OF TV TUBES, WHICH COMPANY IS VERY RELUCTANT TO DO.

4. COMMENT: OWENS-ILLINOIS TEAM SPENT CONSIDERABLE TIME AT MOSCOW'S "CHROMOTRON" PLANT, WHICH PRODUCES COLOR TV TUBES. THEY SAID THEY CAME AWAY SO SHOCKED AT THE METHODS EMPLOYED THAT THEY IMMEDIATELY  
Y  
BEGAN TO LOOK FOR WAYS TO ADD ADDITIONAL INSURANCE TO THEIR PRICE FOR GLASS PLANT/TECHNOLOGY, REASONING THAT UNLESS SOVIETS CHANGED THEIR PRODUCTION TECHNIQUES RADICALLY, IMPROVEMENT IN QUALITY OF THE GLASS WOULD HAVE LITTLE OR NO IMPACT.  
STOESSEL

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